



**OREGON SHORT TERM FUND BOARD MEETING
MEETING MINUTES
Tuesday, July 10, 2018**

OSTF Location: Orrick, Herrington & Sutcliffe LLP
1120 NW Couch Street
Suite 200
Portland, OR 97209

Board Attendees: Douglas Goe
Darren Bond (via phone)
Deanne Woodring
Sharon Wojda
Laurie Steele (not in attendance)

Attendees (Staff): Perrin Lim
Emily Nash
Garrett Cudahey
Angela Schaffers
Aliese Jacobsen

Other Attendees: Mary Donovan- Insight Investment (via phone)
Ryan Martin & Donna Holtz- City of Medford (via phone)
Mark Dunmire- McMinnville Water & Light (via phone)
Aaron Balmer & Ben Alrick- Eugene Water & Electric Board (via phone)

i. Opening Remarks – Douglas Goe

Doug Goe welcomed all to the Oregon Short Term Fund Board (the “Board”) meeting and roll was taken.

Review and Approval of Meeting Minutes – Doug Goe

a. April 12, 2018

MOTION: Doug Goe asked if anyone had any corrections or objections before the approval of the April 12, 2018 Board Meeting Minutes. There were none, the Board approved the Minutes unanimously.

ii. LGP/OSTF Investment Policy Review

a) McMinnville Water & Light

The McMinnville Water & Light investment policy was submitted by Mark Dunmire and introduced to the Board by Angela Schaffers. The Board last reviewed McMinnville Water & Light's investment policy in January 2018. After review from the OSTF Board, Mr. Dunmire returned to his commissioners and they wished to simplify the policy. The new policy retains the basics from the original policy; managing between \$35-55 million. McMinnville Water & Light joined the Intermediate Fund, effective July 1, 2018.

Comments from the Board were:

- The Board acknowledged their intent to shorten and simplify its policy. The Board commented about the limits placed on their alternatives and assumed that if McMinnville Water & Light were looking to change it in the future they would bring it back before the Board at the time. Mr. Dunmire acknowledged, and stated that language was in the policy and the Board agreed.
- Mr. Goe thanked Mr. Dunmire for his work and expressed his appreciation for presenting the investment policy to the Board.

b) Eugene Water & Electric Board

The Eugene Water & Electric Board policy was submitted by Aaron Balmer, who was introduced by Angela Schaffers. Mr. Balmer is the Senior Accounting Analyst at Eugene Water & Electric Board. The Eugene Water & Electric Board policy was last reviewed by the Board in 2000 and they plan on managing between \$150-250 million. Ms. Schaffers stated that Eugene Water & Electric Boards was provided with Staff comments. Mr. Balmer and Mr. Alrick stated that their Board had reviewed the Staff's comments and that they have decided to proceed with the policy as is. Ms. Schaffers pointed out to the board that there is an ORS and SSA 16 reference that needs to be updated, and thanked Mr. Balmer for bringing that to the Boards attention.

Comments from the Board were:

- Board Member Wojda commented on the absence of an External Investment Advisor regarding the sample policy.
- Mr. Balmer acknowledged that they do not have an External Investment Advisor nor plans to hire one at this time.
- Board Member Sharon Wojda questioned the vagueness of the language used in regards to the decision matrix in the Competitive Transaction Section of the policy.
- Mr. Balmer stated that keeping the policy "as is" is what is feasible for them at this time.

- Board Member Wojda suggested that they add back in the sample policy’s protective language in regards to “previously held investments” in the Policy Maintenance section of Eugene Water & Electric Board’s policy, which protects them going forward to keep them in compliance with the policy.
- Mr. Balmer confirmed and thanked her for her feedback.
- Board Member Deanne Woodring suggested that they clarify the investment advisor criteria and that they add in issuer constraints per statute to protect the issuer exposure. Ms. Woodring also noted the buckets on maturities are very tight; buckets of 25% under six months, 40% under one year, 55% under two years and 100% under three years, can be difficult to manage over time. She suggested doing 100% over three years and striking the two-year bucket. Also Ms. Woodring echoed what Board Member Wojda said regarding the addition of language to protect Eugene Water & Electric Board in keeping in compliance within the policy.
- Board Member Darren Bond agreed with everything previously stated and suggested that rather than go through each deviation at this time, that it would be better to include the Staff’s recommendations in a letter back to the governing body and allow them to disclose and discuss why they chose not to follow staff recommendations.
- Mr. Goe acknowledged the Staffs comments and thanked Mr. Balmer for the work he put into the policy and for bringing it in front of the Board.

c) City of Medford

The City of Medford policy was submitted by Donna Holtz and introduced to the board by Angela Schaffers. Ms. Schaffers worked with Donna Holtz who was the Interim Finance Director on this policy, as well as Ryan Martin who is the new CFO who started this month. Mary Donovan, Investment Advisor with Insight Investments was also present on the call. The policy was last reviewed by the Board in 2014. There are changes the City of Medford wishes to make based off of the third party recommendations as well as recommendations from the prior City Finance Director. They City plans on managing between \$70-100 million.

Mr. Martin thanked Ms. Schaffers for her review. He stated that they did make some substantial updates to the policy and that this policy was basically a new policy submission.

Comments from the Board were:

- Board Member Sharon Wojda pointed out that most of the Staff’ recommendations were included with the exception of three; Investment Advisor Criteria, Minimum Credit Ratings and Allocations for the Corporate Indebtedness, Municipal Bonds and Liquidity Requirements.
- Mary Donovan with Insight thanked the board for their thorough review and agreed. She stated that with respect to the investment advisor criteria the City does go through a purchasing process, an RFP for advisory services. It stands to work better for them to maintain criteria for the selection of the advisor and the routine

maintenance of that contract under the purchasing office rather than in the investment policy and with respect to the center of registration, it didn't seem applicable to the nondiscretionary relationship that the City currently engages their investment advisor. The minimum credit ratings and allocations for the corporate indebtedness and municipal bonds as well as the liquidity requirements, they had taken the changes that the prior Finance Director had contemplated to City Council with the City of Medford earlier this year as they kicked off this process and were not contemplating changes to those areas. So those areas of the policy remained unchanged in compliance with State Statute and if there was a recommendation from the Short Term Fund Board they would go back to City Council with them and revisit those sections of the policy.

- Board Member Deanne Woodring' only suggestion was regarding the reference to the ORS limit on the pool. Ms. Woodring recommended removing the date with the maximum amount since that is subject to change; by doing that it allows the policy to stay current. Ms. Woodring also suggested changing the description of "Times Deposits" to "Certificates of Deposit".
- Mary Donovan with Insight agreed with Deanne regarding the terminology.
- Board Member Darren Bond stated that after the investment advisor criteria, the best practice would be to include investment advisor selection criteria in your investment policy with the expectation that your procurement staff actually look to something like an investment policy when they are procuring these types of services. This will build their procurement solicitation based on those policies rather than the criteria that a procurement shop uses in general services solicitations, which are not going to have this specific kind of investment related selection criteria that we would look to.
- Board Chairman Doug Goe stated that he would like echo the previous comments of the Board. He questioned section 25.3 and the typo in the reference to ORS 294.1356 and recommended the City adopt language similar to the Sample Policy.
- Mr. Goe thanked everyone for their work and for bringing the policy to the Board.

iii. OSTF Market Overview and Portfolio Update – Garrett Cudahey

Garrett Cudahey presented the OSTF Portfolio update. U.S. Government Rates and credit spreads were discussed and the current difficult investment environment was reviewed.

- U.S. Government Rates
- Barclays 1-3 Year Credit Spreads

OSTF Portfolio Update

May 31, 2018	
Fund NAV	\$19,176,773,000
Fund NAV/OSTF Balances (as of 3/31/18)	\$1.0020
Weighted Average Credit Quality	AA-/Aa2/AA
Book Yield (effective 5/31/18)	2.21%
Weighted Average Maturity (days)	185
Duration (Years)	0.49
Spread Duration (Years)	0.81
Rate Paid to Participants	2.25%

- OSTF Sector Breakdown
- OSTF Corporate Industry Breakdown
- OSTF ABS Breakdown
- OSTF Issuer Exposure Breakdown
- OSTF Country of Risk Breakdown
- OSTF Credit Profile Breakdown
- OSTF Coupon Type Breakdown
- OSTF Rates Comparison
- OSTF Performance

iv. Closing Remarks/Other Items of Business

- a. Date of next Board meeting – Thursday, October 11th, 2018 at OST Tigard offices.
- b. Meeting adjourned at 11:05 a.m.

Respectfully submitted,

Emily Nash
Executive Assistant Capital Markets